

ESCWA

EGM on Innovation and Technology for achieving the 2030 Development Agenda

November 5th – 7th, 2017

SESSION 7 – Fostering Innovation in Industry

The need for regional collaboration and partnerships to progress emerging industries
and support the SDGs: Caribbean Digital Financial Services

Peter Nicholls, Chief Caribbean Knowledge Management Centre, UNECLAC



The United Nations System

UN Principal Organs

General Assembly

Security Council

Economic and Social Council

Secretariat

International Court of Justice

Trusteeship Council⁴

Subsidiary Bodies

Main and other sessional committees
Disarmament Commission
Human Rights Council
International Law Commission
Standing committees and ad hoc bodies

Subsidiary Bodies

Counter-terrorism committees

Programmes and Funds

UNCTAD United Nations Conference on Trade and Development
• **ITC** International Trade Centre (UNCTAD/WTO Joint Centre)
UNDP United Nations Development Programme
• **UNCDF** United Nations Capital Development Fund
• **UNV** United Nations Volunteers
UNEP United Nations Environment Programme
UNFPA United Nations Population Fund
UN-HABITAT United Nations Human Settlements Programme
UNHCR Office of the United Nations High Commissioner for Refugees
UNICEF United Nations Children's Fund

UNODC United Nations Office on Drugs and Crime
UNRWA¹ United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN-Women United Nations Entity for Gender Equality and the Empowerment of Women
WFP World Food Programme

Research and Training Institutes

UNICRI United Nations Interregional Crime and Justice Research Institute
UNIDIR¹ United Nations Institute for Disarmament Research

UNITAR United Nations Institute for Training and Research
UNRISD United Nations Research Institute for Social Development
UNSSC United Nations System Staff College
UNU United Nations University

Other Entities

UNAIDS Joint United Nations Programme on HIV/AIDS
UNISDR United Nations International Strategy for Disaster Reduction
UNOPS United Nations Office for Project Services

Related Organizations

CTBTO Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization
IAEA International Atomic Energy Agency
OPCW Organisation for the Prohibition of Chemical Weapons
WHO World Health Organization

The UN is all over here

You are here

Departments and Offices

EOSG Executive Office of the Secretary-General
DESA Department of Economic and Social Affairs
DFS Department of Field Support
DGACM Department for General Assembly and Conference Management
DM Department of Management
DPA Department of Political Affairs

DPI Department of Political and Security Affairs
DPKO Department of Peacekeeping Operations
DSS Department of Security Services
OCHA Office for the Coordination of Humanitarian Affairs
OHCHR Office of the High Commissioner for Human Rights
OIOS Office of Internal Oversight Services
OLA Office of Legal Affairs
OSAA Office of the Special Adviser on Africa

SG/CAAC Office of the Special Representative of the Secretary-General for Children and Armed Conflict
ONODA Office for Disarmament Affairs
UNOG United Nations Office at Geneva
UN-OHRLS Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNON United Nations Office at Nairobi
UNOV United Nations Office at Vienna

NOTES:

- ¹ UNRWA and UNIDIR report only to the General Assembly.
- ² IAEA reports to the Security Council and the General Assembly.
- ³ Specialized agencies are autonomous organizations working with the UN and each other through the coordinating machinery of ECOSOC at the intergovernmental level, and through the Chief Executives Board for Coordination (CEB) at the inter-secretariat level. This section is listed in order of establishment of these organizations as specialized agencies of the United Nations.
- ⁴ The Trusteeship Council suspended operation on 1 November 1994 with the independence of Palau, the last remaining United Nations Trust Territory, on 1 October 1994.

This is not an official document of the United Nations, nor is it intended to be all-inclusive.

The SDGs of FinTech



- **Goal 1. End poverty in all its forms and around the world**

- 1.4 equal access to economic resources and basic services, new technologies and financial services, including microfinance

- **Goal 5. Achieving gender equality and empowering all women and girls**

- 5.a Undertake reforms that grant women equal rights ... including access to ownership and control of financial services

- **Goal 8. Promote sustained economic growth**

- 8.3 Promote policies that support entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro and small and medium-sized enterprises, including through access to financial services

- 8.10 Strengthening the capacity of national financial institutions to promote and expand access to banking, financial services for all

- **Goal 9. Build Resilient Infrastructures**

- 9.1 Develop reliable, sustainable, regional and cross-border infrastructures, to support economic development with particular emphasis on affordable and equitable access for all

- 9.3. Increase access of small industries and other enterprises, particularly in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

- 9.a To facilitate the development of sustainable and resilient infrastructures in developing countries through increased financial, technological and technical support to small island developing States

- **Goal 10. Reduce inequality in and between countries**

- 10.5 Improve the regulation and surveillance of global financial institutions and markets and strengthen the implementation of such regulations

- **10.c By 2030, reduce the transaction costs of migrants' remittances to less than 3% and eliminate remittance brokers at a cost of more than 5%**

- **Goal 16. Promote just, peaceful and inclusive societies**

- 16.9 by 2030, legal identity, including birth registration, should be provided to everyone in the world
- **(Legal identity is seen as the first step to financial and social inclusion)**

SERIES

SERIES

**STUDIES AND
PERSPECTIVES**

**ECLAC SUBREGIONAL
HEADQUARTERS
FOR THE CARIBBEAN**

**Opportunities and risks associated
with the advent of digital currency
in the Caribbean**

Shiva Bissessar

Survey Instrument

- Designed to establish level of Caribbean Central Bank awareness of digital currency and mobile money solutions
 - E-Commerce legislation & banking facilities
 - Utility of mobile money solutions
 - Requirements to provide remittance services
 - Digital currency awareness
 - Opportunities & Risks
 - Increased participation in digital economy
 - Policy options

Expert Group Meetings



UNITED NATIONS

ECLAC

**Economic Commission for Latin America and the Caribbean
Subregional Headquarters for the Caribbean**

**REPORT OF THE EXPERT GROUP MEETING ON
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF
DIGITAL CURRENCY IN THE CARIBBEAN**

3 December 2014



UNITED NATIONS

ECLAC

**Economic Commission for Latin America and the Caribbean
Subregional Headquarters for the Caribbean**

**REPORT OF THE SECOND EXPERT GROUP MEETING ON
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF
DIGITAL CURRENCY IN THE CARIBBEAN**

21 April 2015

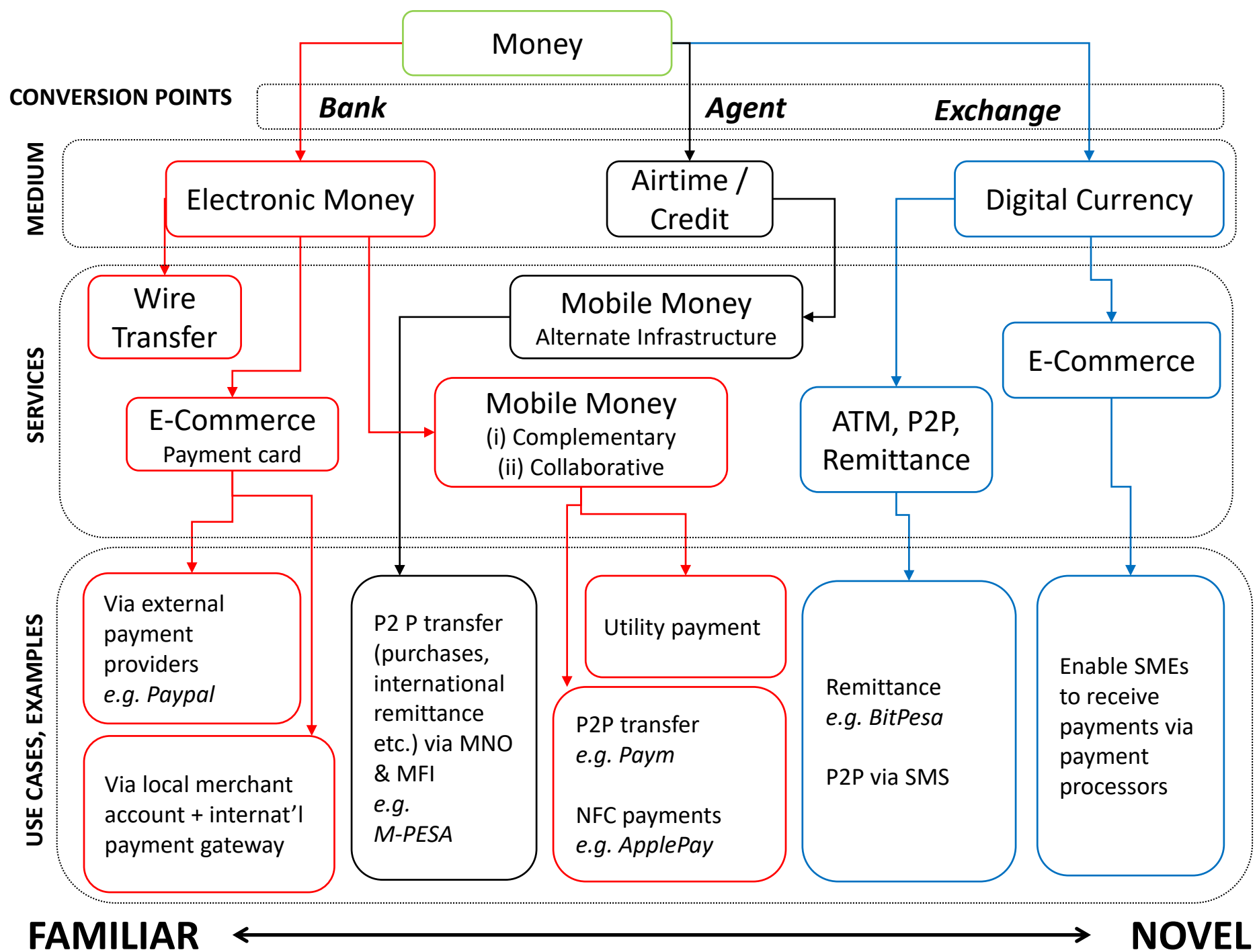
Port-of-Spain

Expert Group Meeting

- Regional Experts
 - E-commerce providers & software developers
 - Mobile wallet & digital currency service providers
 - Central Bank Policy and AML senior representatives
 - Government senior legal representative
 - Economics, Finance representatives
- To Discuss
 - Status of electronic payments in the region
 - Opportunities which digital currencies may present
 - Risks which digital currencies may present
 - Possible policy options



Findings of the Study



**REPORT OF THE EXPERT GROUP MEETING ON
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF
DIGITAL CURRENCY IN THE CARIBBEAN**

“Digital currencies represent a potential option for improving services and reducing costs, but are **challenged in receiving acceptance among consumers and regulators.**”

“It was recognized that the **participants in the digital currency industry can benefit from the timely establishment of national regulations**, if only to make it clear what the rules are in terms of operating in various countries.”

(2014)

**REPORT OF THE EXPERT GROUP MEETING ON
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF
DIGITAL CURRENCY IN THE CARIBBEAN**

“Additionally, regulation can be valuable in terms of promoting public acceptance of these new payment technologies, by **enforcing consumer protection measures that would encourage broader trust in these systems.**”

“Many tools are already in place that could aid governments and central banks in providing appropriate national frameworks for regulatory supervision of the digital currency industry.”

(2014)

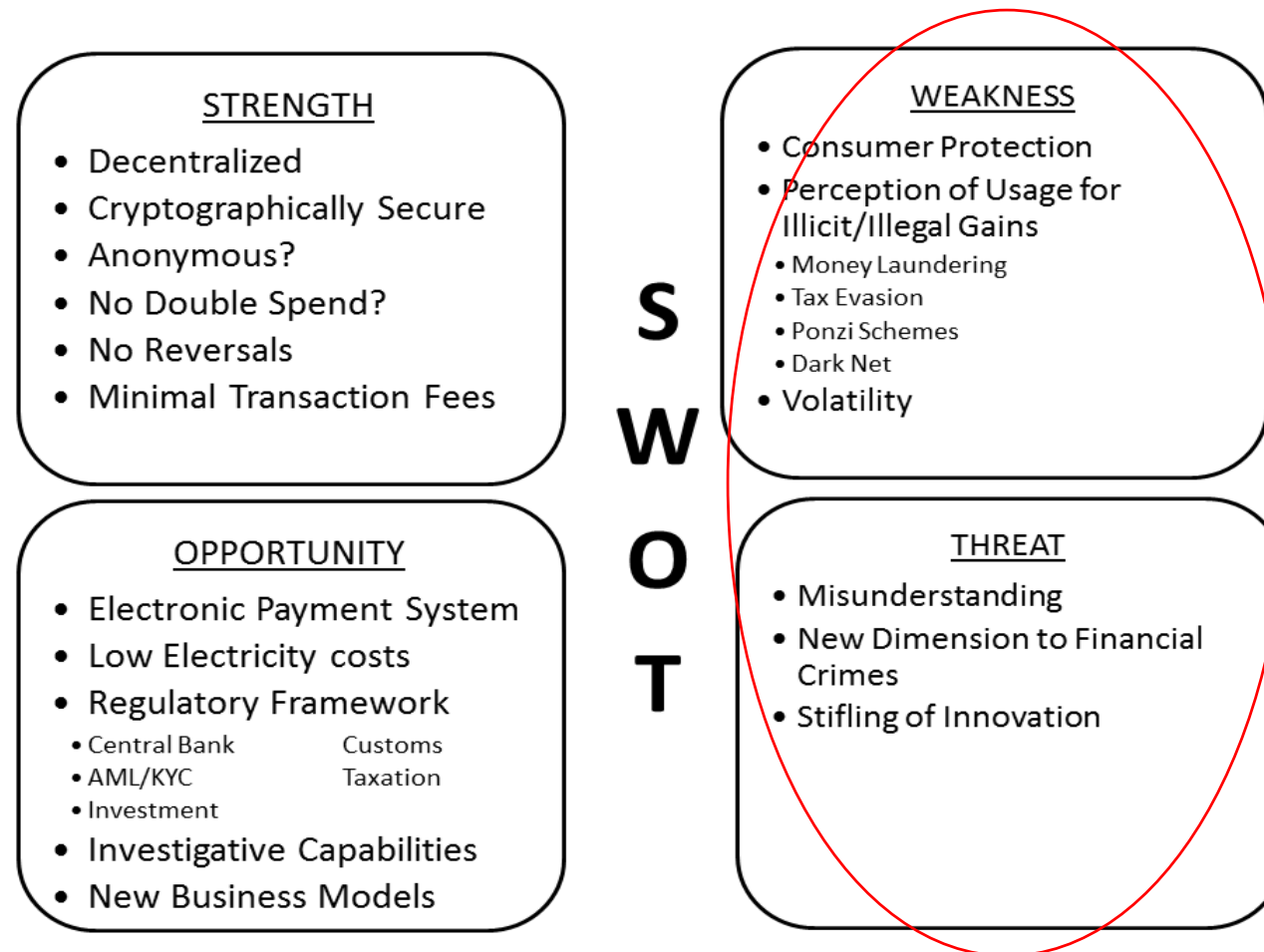
**REPORT OF THE SECOND EXPERT GROUP MEETING ON
OPPORTUNITIES AND RISKS ASSOCIATED WITH THE ADVENT OF
DIGITAL CURRENCY IN THE CARIBBEAN**

“There has been **reluctance on the part of regulators in Caribbean countries to engage on this issue**, and to engage with digital currency companies interested in doing business in the region.”

“There remains a significant level of distrust in the region concerning digital currency, on the part of both governments and the population. **This reservation exists, in part, because of a number of well-known cases involving the use of Bitcoin for criminal purposes.** At times this negative view has overshadowed consideration of the potential benefits of the technology.”

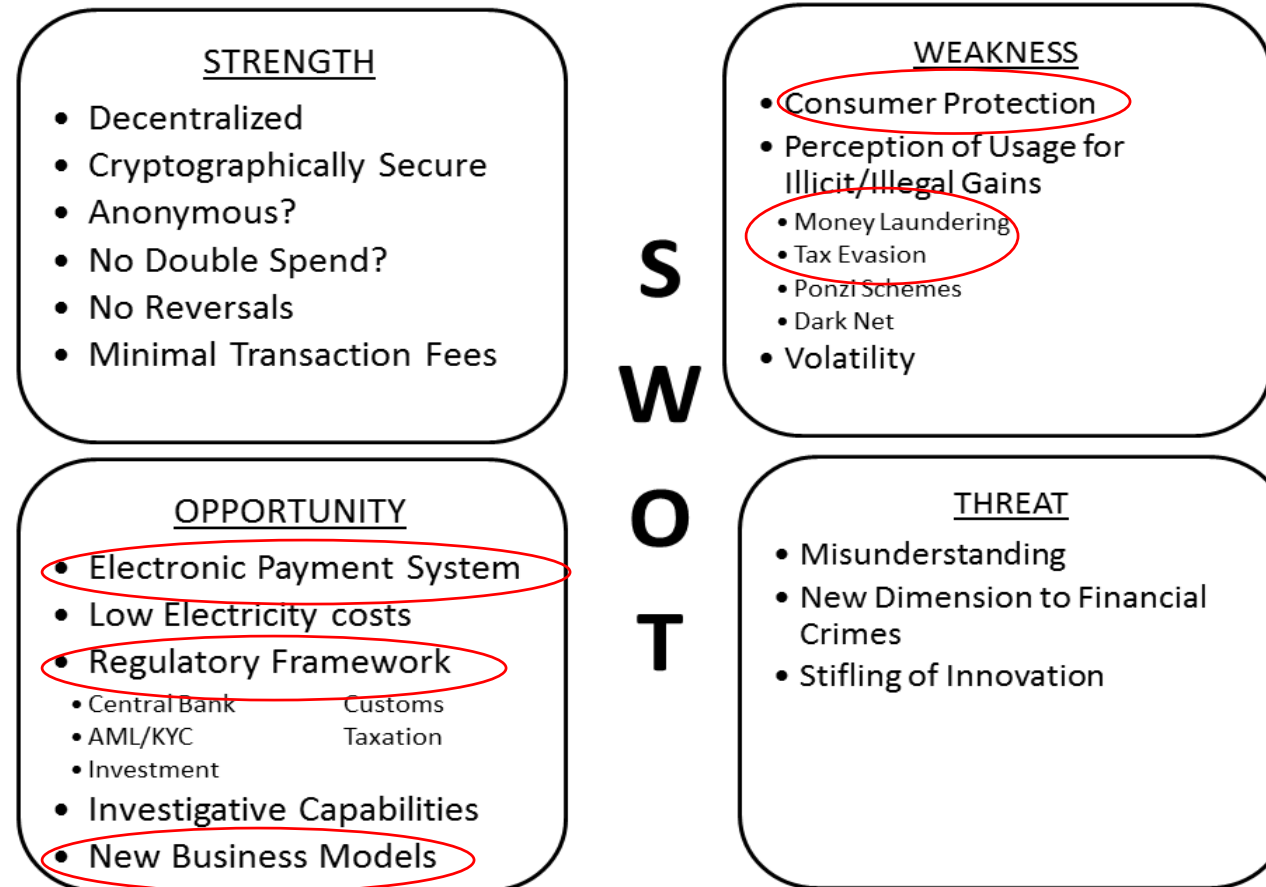
(2015)

Caribbean Digital Currency Adoption



- Caribbean authorities remain focused on weaknesses and this poses a threat to development of digital currency industry in Caribbean

UK Approach to Digital Currency



- Address weakness: AML controls & BSI consumer protection
- Stimulate innovation: £10M for research into innovation of digital currency

Distributed Ledger Technology in Government services (UK)



Source: <https://www.gov.uk/government/publications/distributed-ledger-technology-blackett-review>

How to address Regulation Challenges

- Look to Global Leaders in the Space:
 - New York - BitLicense
 - United Kingdom - Call for information
 - Singapore – Encouraging innovation
- Q: What about local/regional expertise?

Caribbean Challenges & Opportunities



- Increased participation in the Digital Economy
- Correspondent bank de-risking problem
- Central Bank-issued Digital Currency (CBDC) and Digital Fiat Money
- Intra-regional settlement networks

Better Payment Systems Needed

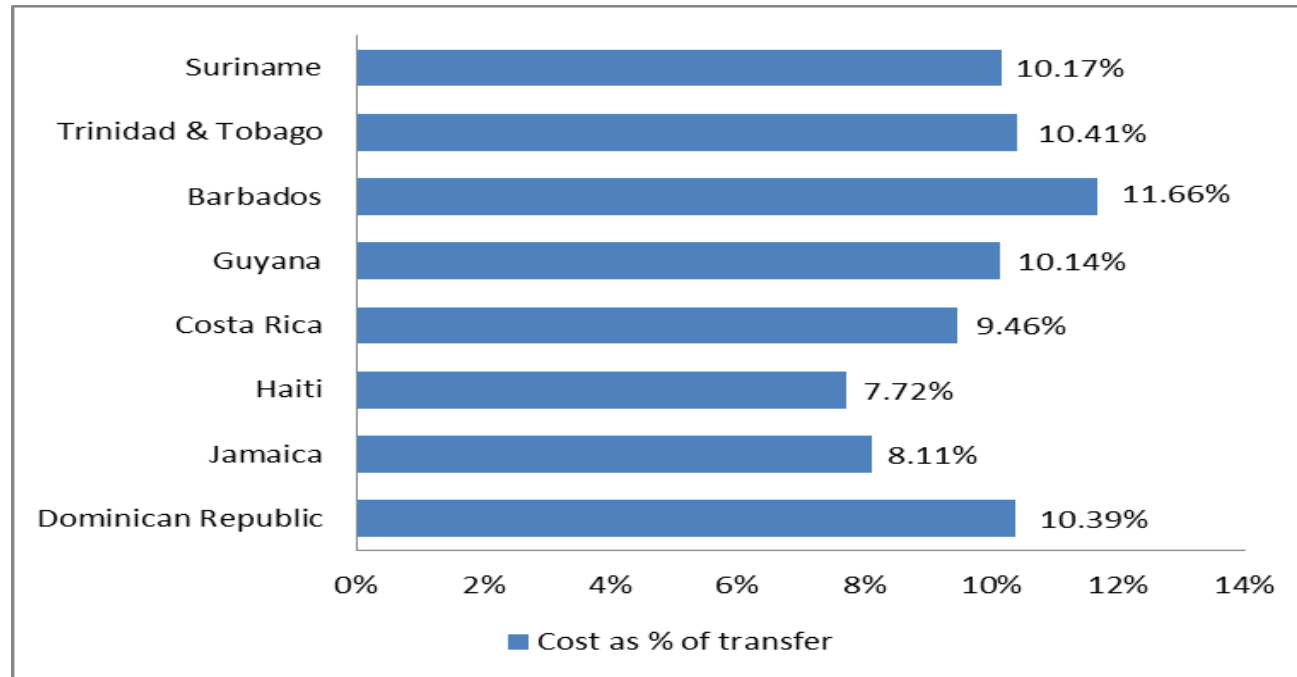
“It was noted that there is a **need for better payment systems** within the Caribbean region, and that the high costs and red-tape associated with providing electronic payment options, are significant challenges to those wishing to establish E-Commerce businesses in the region.

The region also needs to **lower the cost of remittance services.**”

(2015)

Caribbean Remittances

- In Haiti, Jamaica and Dominican Republic, total remittances values at 27.8%, 17.2% and 14.1% of GDP respectively, while in Trinidad and Tobago it forms less than 1 %.



SDG 10.c By 2030, reduce the transaction costs of migrants' remittances to less than 3% and eliminate remittance brokers at a cost of more than 5%



Stakeholder Partnering



- <http://vrb.al/fintech2016>
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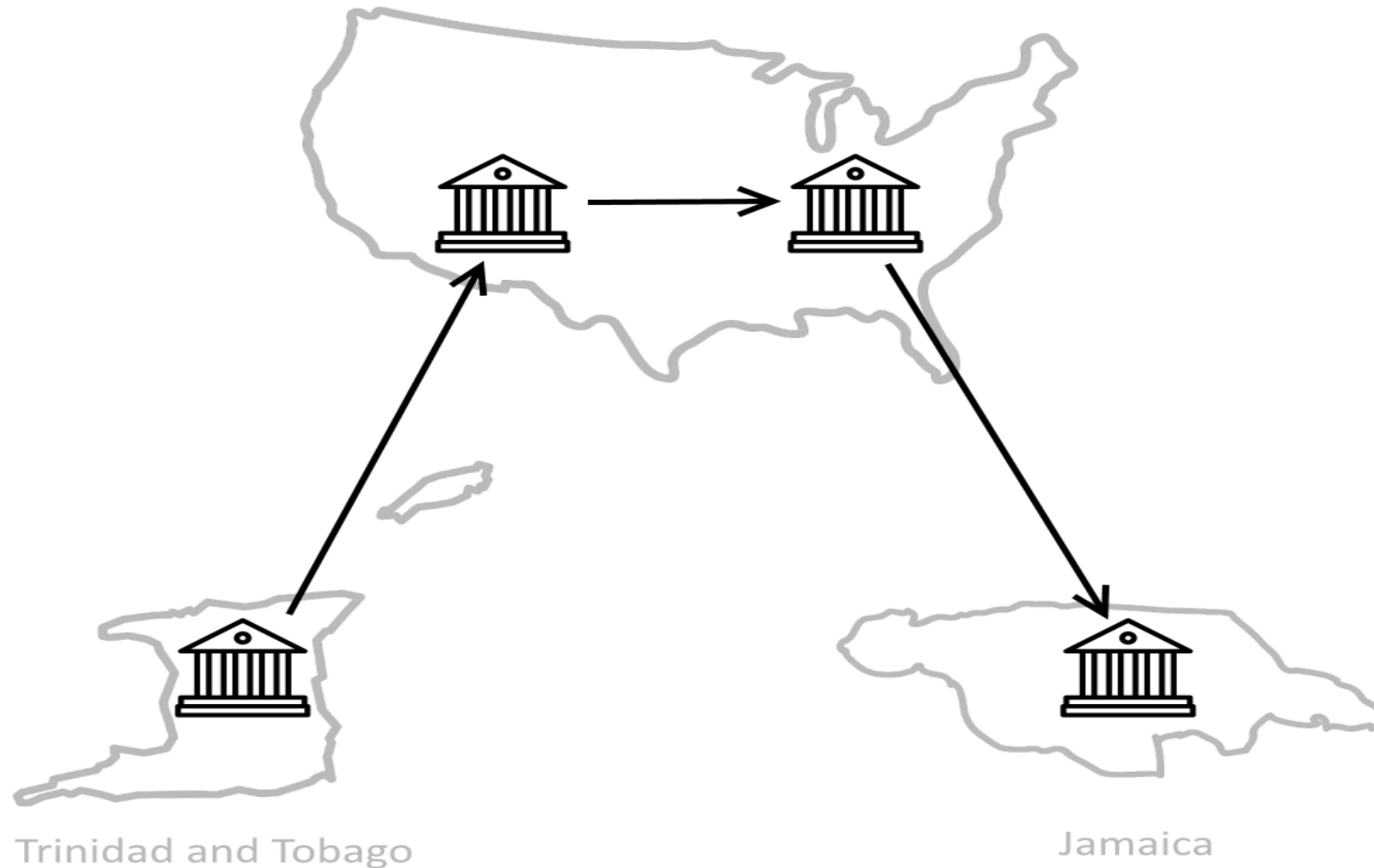
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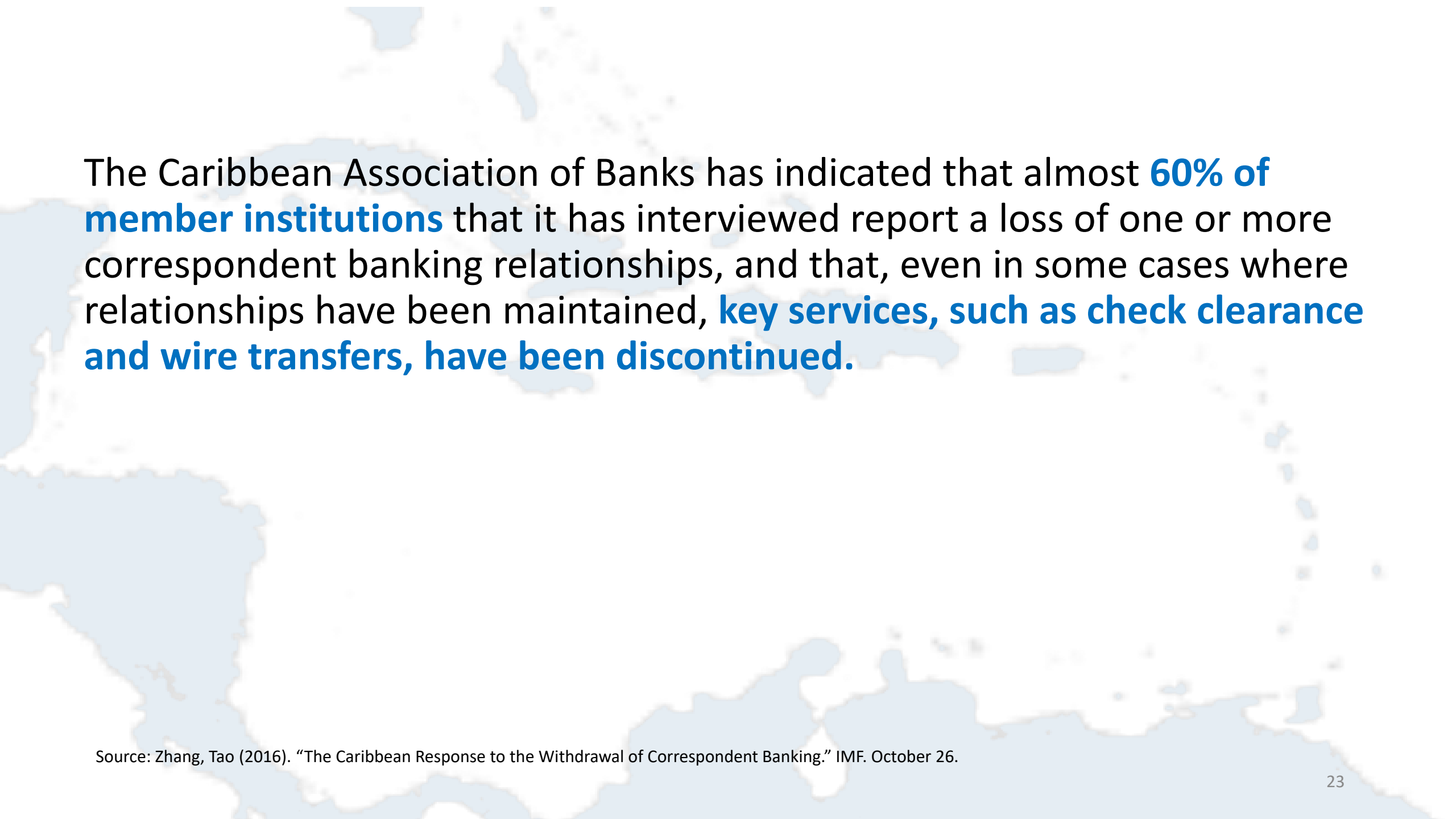
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Correspondent banking





The Caribbean Association of Banks has indicated that almost **60% of member institutions** that it has interviewed report a loss of one or more correspondent banking relationships, and that, even in some cases where relationships have been maintained, **key services, such as check clearance and wire transfers, have been discontinued.**

NEWS

HSBC to pay \$1.9bn in US money laundering penalties

🕒 11 December 2012 | Business

🔗 Share

HSBC has confirmed it is to pay US authorities \$1.9bn (£1.2bn) in a settlement over money laundering, the largest paid in such a case.

A US **Senate investigation** said the UK-based bank had been a conduit for "drug kingpins and rogue nations".

Money laundering is the process of disguising the proceeds of crime so that the money cannot be linked to the wrongdoing.



HSBC has admitted its money laundering controls have been too lax

Reasons for de-risking

- Concerns about **compliance**
 - Anti-money laundering/countering terrorist financing (**AML/CFT**)
 - International sanctions (especially Cuba)
- Cost of **customer due diligence (CDD)** and concern over respondent bank's CDD practices
 - Know your customer (KYC)
 - Know your customer's customer
- Reduction in overall risk appetite
 - Structurally important financial institutions
 - Elevated capital reserve requirements
- **Lack of profitability** of correspondent banking services

Regardless of whether value is transferred through a blockchain or through the traditional wire service, **correspondent banks still have regulatory obligations** with regard to AML/CFT, CDD, tax transparency, and economic sanction regimes.

Migration of the international money transfer infrastructure to blockchain technology would not make these obligations – **and their associated costs** – disappear.

But blockchains do present some opportunities...

Blockchains can be used to...

- Make monitoring easier

A blockchain-based settlement network can offer tools to improve surveillance of transactions, which would **enable better detection of illicit financial transfers** and thereby decrease risk and associated compliance costs.

- Cut out the middleman

A blockchain-based network may eventually offer Caribbean banks the opportunity to **bypass correspondent banks** altogether.

Central Bank-issued Digital Currency

- Direct issuance of **digital currency by central banks**, either in parallel with or as a replacement for existing paper currencies
- Every user of a currency would have an account on a blockchain managed by the central bank and would **use that account as the primary means for conducting settlements**

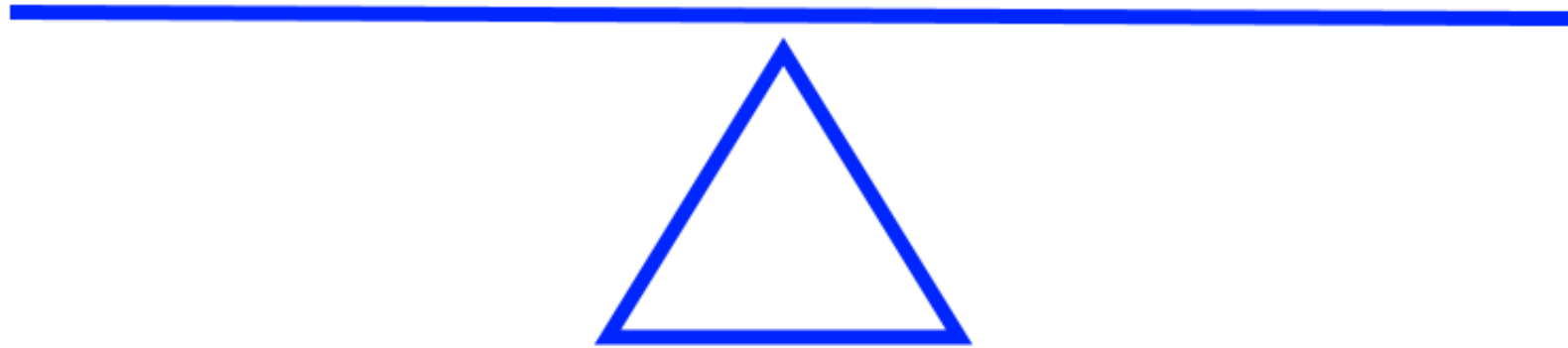
Central Bank-issued Digital Currency

- Radical economic change
- Highly **auditable** – financial crimes can be more easily detected
- Privacy issue is resolved
 - Except for **Big Brother** watching you (?)

Balancing privacy and auditability

Privacy

Auditability





Identity Management

SDG16.9



The issue of Identity

- Article 6 of the Universal Declaration on Human Rights stipulates that "[e]veryone has the right to recognition everywhere as a person before the law."
- SDG16.9 to "provide legal identity to all, including birth registration, by 2030"
- a cross-cutting challenge and imperative

- Affects an estimated **1.8 billion people - 24% of the global population** - without a legal identity,

- including an estimated **three million children** under the age of five in Latin America and the Caribbean.

ID2020



Source: <http://id2020.org>

Digital identity offers significant benefits.



Personal:

Unique to you and you only



Persistent:

Lives with you from life to death



Private:

Only you can give permission to use data



Portable:

Accessible anywhere you happen to be



Welfare Payments Pilot

UK



Department for Work and Pensions

- **To distribute welfare support more efficiently and improve policy delivery.**
- Applying DLTs in the registration and payment processes for government grants and benefits to:
 - Prevent financial losses through fraud and error
 - Support the most vulnerable citizens by offering them the benefits of full financial inclusion
 - Support the achievement of the government's wider policy objectives, especially getting people out of poverty in a sustainable way
 - Offer good value for money and place public expenditure on a sustainable footing



Caribbean FinTech: Bitt

BARBADOS

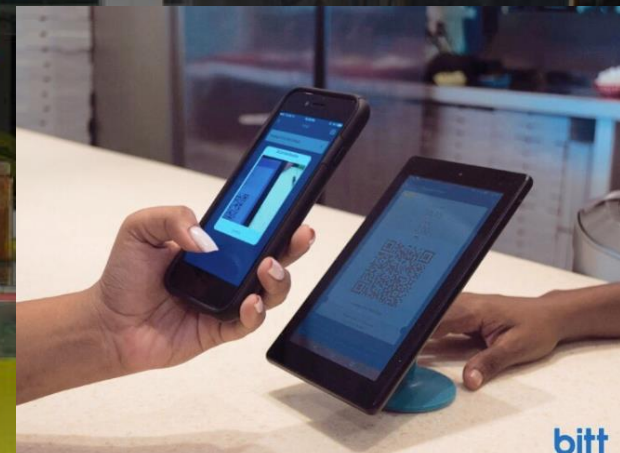
<https://www.bitt.com>

<https://www.youtube.com/watch?v=qImTI3a1o5E>

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PPPs: Contribute, present, partner



Oliver Gale, President and Co-Founder of Bitt Inc and Selby Wilson, CTU Telecommunications Strategist at the signing of the MOU between the two organisations.

Picture Sources:

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<http://vrb.al/fintechvids>

<https://www.instagram.com/gabrielabed/>

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<http://businessbarbados.com/press-releases/ctu-bitt-band-ict-development-caribbean/>

Developed locally, Internationally recognized



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MENA's turn

FINTECH IN THE MIDDLE EAST: A POWERHOUSE IN WAITING?

Could tech-pow may take a few factors, there a the medium to strength.

Partnering For A New Future: Fintech In the MENA Region



NEXT ARTICLE

Getting The MENA Ready For A Fintech Revolution

Next Article

Middle East fintech sector begins to stir

Disruptive technology great news for customers but threatens banks' business



John Everington and Sarmad Khan

August 28, 2017

Updated: August 28, 2017 12:02 PM

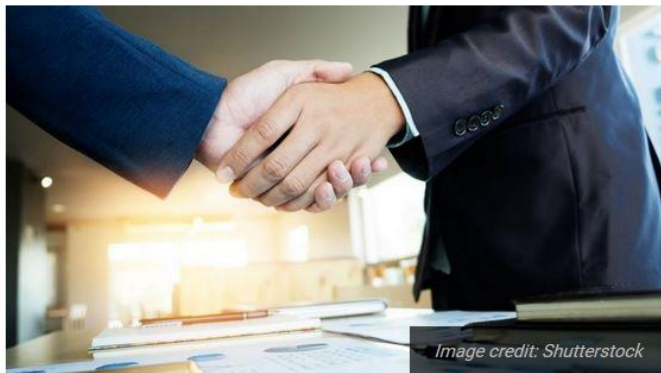


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Dubai to Launch a State Issued Blockchain Based Digital Currency

September 28, 2017 2:58 pm



<https://www.thenational.ae/business/banking/middle-east-fintech-sector-begins-to-stir-1.623556>

<https://www.entrepreneur.com/article/304973>

http://www.cartermurray.com/middle_east/financialservices/next_money_hub/fintech_in_the_middle_east/

<http://www.trustnodes.com/2017/09/28/dubai-launch-state-issued-blockchain-based-digital-currency>

- Let's work together to support our Member States
- AND
- Help let our regional **innovators innovate**



More information:

ECLAC

<http://www.eclac.org>

<https://www.facebook.com/eclac>

Digital Repository

<http://repositorio.cepal.org>

eLAC 2018:

<http://www.cepal.org/es/proyectos/elac2018>

ECLAC Caribbean

<http://www.cepal.org/en/headquarters-and-offices/eclac-caribbean>

<https://www.facebook.com/eclaccaribbean>

ICTD: <http://www.cepal.org/en/topics/105/offices/8209>

Knowledge Management: <http://www.cepal.org/en/topics/8238/offices/8209>



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